

FILED

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ALABAMA  
SOUTHERN DIVISION

97 JUL 28 PM 3:16

ERNEST RAY RITCH and MARY J.  
RITCH,

Plaintiffs,

vs.

THE ROBINSON-HUMPHREY  
COMPANY,

Defendant.

U.S. DISTRICT COURT  
N.D. OF ALABAMA

CV 94-PT-2763-S

ENTERED


MEMORANDUM

JUL 28 1997

This court has previously made reference to the concepts of "transaction causation" and "loss causation." See Robbins v. Koger Properties, Inc., \_\_ F.3d \_\_ (11<sup>th</sup> Cir., July 14, 1997). The court equates "transaction causation" with reliance. It states, however, that

To prove loss causation, a plaintiff must show "that the untruth was in some reasonably direct, or proximate, way responsible for his loss." Huddleston v. Herman & MacLean, 640 F.2d 534, 549 (5<sup>th</sup> Cir. Unit A 1981), aff'd in part, rev'd in part on other grounds, 459 U.S. 375, 103 S.Ct. 683, 74 L.Ed.2d 548 (1983). "If the investment decision is induced by misstatements or omissions that are material and that were relied on by the claimant, but are not the proximate reason for his pecuniary loss, recovery under the Rule is not permitted." Id. (Citing Marbury Management, Inc. v. Kohn, 629 F.2d 705, 718 (2d Cir. 1980)(Meskill, J., dissenting)). In other words, loss causation describes "the link between the defendant's misconduct and the plaintiff's economic loss." Rousseff v. E. F. Hutton Co., Inc., 843 F.2d 1326, 1329 n. 2 (11<sup>th</sup> Cir. 1988). This court is satisfied that loss causation remains a required element under state law.

This 28<sup>th</sup> day of July, 1997.

  
ROBERT B. PROPST  
SENIOR UNITED STATES DISTRICT JUDGE

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